Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
Empowering Consumers to Prevent and Detect Billing for Unauthorized Charges ("Cramming")	)	CG Docket No. 11-116
Consumer Information and Disclosure	)	CG Docket No. 09-158
Truth-in-Billing and Billing Format	)	CC Docket No. 98-170

REPLY COMMENTS OF INTERNET SEARCHES GROUP

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REPLY COMMENTS OF INTERNET SEARCHES GROUP, INC.

The Internet Searches Group, Inc. ("ISG"),[1] by and through its attorneys, submits these reply comments in response to the comments submitted on the Federal Communications Commission's ("Commission's") Notice of Proposed Rulemaking ("NPRM") in the above-captioned proceedings.[2]

The record shows that there are established consumer benefits to third-party billing and that the vast majority of third-party billing is legitimate. Further, it is clear from the record that additional Commission regulations would increase the cost of LEC billing and would interfere with ISG's ability to provide low-cost services to its customers. Finally, LECs that permit third parties to include charges on their bills impose strict application, monitoring and remedial regimes, and billing aggregators impose their own requirements, to curb instances of cramming.

1 ISG provides enhanced services that assist small and medium sized businesses to increase their online marketing presence. This includes search engine optimization and assisting business customers to submit their listings with the major Internet search engines. ISG relies upon local exchange carrier ("LEC") billing services as a low-cost way to provide services to its small business customers. ISG verifies each and every order submitted.

2 *See* Empowering *Consumers to Prevent and Detect Billing for Unauthorized Charges ("Cramming")*, CG Docket No. 11-116, Notice of Proposed Rulemaking, FCC 11-106 (rel. July. 12, 2011) ("NPRM").

These measures are effective and much less restrictive on legitimate third-party billing than many of the NPRM's more onerous proposals. In light of these important considerations, the appropriate focus should be on the voluntary measures that the industry has taken and is taking to reduce instances of cramming.

I. CONSUMERS BENEFIT FROM LEGITIMATE THIRD-PARTY BILLING AND COLLECTION

LECs are in the best position to know and understand the demands of their customers.[3] Further, LECs have strong incentives to protect their customers against instances of cramming. According to Verizon, "[s]ince unauthorized charges on customers' bills could significantly harm customer relationships in a highly competitive environment, Verizon and Verizon Wireless have significant incentives to prevent such charges."[4] LECs know that their customers do not want to see unauthorized charges on their bills, however, the LECs also understand that their customers realize important benefits from including charges for third-party goods and services on a single LEC monthly bill.[5]

Specifically, the fact that third-party service providers do not have to set up expensive billing and collections departments means that those providers can offer low-cost services to LEC customers. In addition, LEC customers enjoy the ease and convenience of third-party billing, which allows them to pay for many different goods and services on a single bill. As an example, Verizon stated that it permits third-party charges to be placed on its bills because

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3 *See* Comments of Frontier Communications Corporation, CG Docket No. 11-116 et al. at 3 (filed Oct. 24, 2011) ("Frontier Comments") (LECs have a "unique understanding of their customer base").

4 *See* Comments of Verizon and Verizon Wireless, CG Docket No. 11-116 et al. at 1 (filed Oct. 24, 2011) ("Verizon Comments").

5 The incentive for LECs to permit third-party billing is not financial, but customer demand. According to one LEC, "[t]hird-party billing is not a significant revenue stream for Frontier. Rather, Frontier offers it to allow consumers the broadest choice possible in purchasing and paying for telecommunications-related products and services." Frontier Comments at 7.

"customers prefer to review and pay a single bill for these services."[6] Further, Frontier stated that, "[t]hird-party billing offers a convenient and efficient payment method for many customers."[7]

The nation's largest billing aggregator Billing Concepts, Inc., doing business as BSG Clearing Solutions ("BSG"), confirmed that without the ability to place charges on LECs bills, many of its third-party service providers would not be able to provide low-cost services to customers and would go out of business. BSG stated that,

> the costs of maintaining independent billing and collection infrastructure would be prohibitive for many of BSG's service providers. Additionally, consumers would lose the benefit of a single bill, forcing them to choose between a vendor's lower prices and the convenience of a single monthly payment Without the ability to place charges on consumers' telephone bills, many of BSG's service providers would simply cease to exist and their markets would become less competitive.[8]

Therefore, if the Commission were to ban third-party billing, or impose such burdensome regulations as to increase costs and effectively ban the practice, LEC customers and customers of third-party service providers would be denied the low-cost goods and services that they can currently purchase with the ease and convenience of a single monthly bill.

II. THE LECS AGREE THAT ALLEGED INSTANCES OF CRAMMING COMPRISE AN EXTREMELY SMALL PERCENTAGE OF OVERALL THIRD-PARTY BILLING AND COLLECTIONS

Each instance of alleged cramming is certainly a concern that should be promptly addressed. However, the LECs, which are on the front lines of customer billing inquiries, have offered some important perspective on the alleged cramming problem. According to the LECs,

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6 Verizon Comments at 1.

7 Frontier Comments at 8.

8 Comments of Billing Concepts, Inc., CG Docket No. 11-116 et al. at 10 (filed Oct. 24, 2011) ("BSG Comments").

the instances of alleged cramming (much less proven cramming) are a small drop in the bucket when compared to total third-party charges that are placed on LEC customer bills.

According to AT&T, "the alleged *widespread prevalence* of cramming is based largely on speculation. For AT&T in particular, the number of customers billed third-party charges is small in comparison to its total customer base."[9] According to an AT&T analysis, "in September 2011, AT&T issued bills to 23 million wireline customers and only 1.8 million of those bills – roughly eight percent – included third-party charges" and "[i]n September 2011, only a tenth of a percent – approximately 2100 – of AT&T's wireline customers that were previously billed third-party charges alleged a cram."[10]

CenturyLink agrees that "the incidents [of cramming] are not high as a percentage of total billed transactions."[11] Further, CenturyLink found that, "the number of cramming complaints decreased each quarter in 2010" and "cramming complaints were not even among the top 5 complaint categories reported out by the Commission in 2010."[12]

The vast majority of third-party charges on LEC bills are legitimate. While cramming is an important issue for the industry to address, the scope of the problem is not as broad as the NPRM makes out. The Commission should keep this perspective in mind when considering the necessity for, and scope of, regulatory requirements when weighed against the effective voluntary industry practices discussed below that have been undertaken by the LECs, billing aggregators and service providers to curtail instances of cramming.

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9 Comments of AT&T Inc., CG Docket No. 11-116 et al. at 5 (filed Oct. 24, 2011) ("AT&T Comments").

10 *Id.* at 5-6.

11 Comments of CenturyLink, CG Docket No. 11-116 at n.50 (filed Oct. 24, 2011) ("CenturyLink Comments").

12 *Id.*

III. THE RECORD SHOWS THAT EXCESSIVE REGULATION WOULD RAISE THIRD-PARTY BILLING AND COLLECTION COSTS AND THREATEN THE ELIMINATION OF VALUABLE LOW-COST SERVICES

ISG stated in its comments that it did not oppose the majority of the NPRM's proposals to clarify blocking procedures and improve the information available on telephone bills in concept, provided they could be implemented without increasing the cost of LEC billing.[13] It is clear from the record, however, that the NPRM's proposals would increase LEC costs, which would in all likelihood be passed on to third-party service providers such as ISG. Since ISG's service offering is based on a low-cost model, which is an important part of the purpose of third-party billing, it cannot support proposals that would increase its costs.

CenturyLink estimated that the additional cost to fully and fairly describe third-party billing and consumers' opportunity to block in point-of-contact disclosures would be $3 million annually.[14] In addition, with respect to providing additional disclosures on bills, including contact information for third-party service providers, CenturyLink confirms that "it must be remembered that each character and line of text adds costs to the third-party offering."[15] These costs would likely be passed along to third-party service providers that cannot incorporate them into their low-cost services for small businesses and consumers.

IV. THE INDUSTRY HAS UNDERTAKEN EXTENSIVE AND EFFECTIVE EFFORTS TO REDUCE INSTANCES OF CRAMMING

In 1998, at the urging of the Commission, the telecommunications industry developed new anti-cramming guidelines.[16] Pursuant to these voluntary efforts, in order to place a charge

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13 Comments of Internet Searches Group, CG Docket No. 11-116 at 1 (filed Oct. 24, 2011) ("ISG Comments").

14 *See* CenturyLink Comments at n.16.

15 *Id.* at 15.

16 *See FCC and Industry Announce Best Practices Guidelines to Protect Consumers from Cramming*, FCC News Release (rel. July 22, 1998).

on a LEC's bill, ISG will complete its own verification process and must comply with the detailed requirements imposed by its billing aggregator and the LEC that issues the bill to the customer. This generally includes pre-screening, review of marketing materials, monitoring and compliance with complaint thresholds. The charge is then generally placed in a separate section of the LEC bill to avoid customer confusion. If a customer complains that he or she did not authorize the charge, then a refund is provided (generally whether or not the customer is correct) and the LEC offers the customer third-party bill blocking.

As an example, AT&T includes cramming prevention measures in its contracts with third-party providers or billing aggregators, including an application and approval process, active monitoring of customer notification, consent and verification requirements, billing dispute arrangements and steep penalties for *alleged* instances of cramming.[17] Billing aggregators are subject to cramming complaint thresholds and annual audits.[18] All charges are displayed in a separate section of AT&T's bills, but if a customer alleges that a charge was unauthorized, AT&T removes the charge from the bill and offers that customer third-party bill blocking.[19] In addition, billing aggregators like BSG maintain their own requirements for third-party billers. BSG, for example, has a 100-point checklist to approve a service provider and imposes strict monthly monitoring and thresholds.[20] These measures are adequate to address the limited cramming problem when viewed in the appropriate context of the millions of third-party charges that are placed on bills each month.

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17 *See* AT&T Comments at 8-9 (including a fee of $150 for each *alleged* instance of cramming).

18 *See id.*

19 *See id.* at 8.

20 *See* BSG Comments at 4-5.

V. CONCLUSION

Third-party billing and collection offers consumers low-cost services with the ease and convenience of a single bill. Alleged instances of cramming, while an important concern, comprise a tiny percentage of the third-party charges placed on LEC bills each month. Therefore, and in light of the likely increased costs of Commission regulation, the appropriate course of action is to rely upon market forces to discipline telephone company billing for third-party charges. The industry has adopted a voluntary code of billing guidelines that ensure services are knowingly authorized and that enable billing agents to quickly identify and root out companies that violate the prescribed standards of conduct. This voluntary code can be further refined, but it can adequately address instances of cramming.

Respectfully submitted,

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